



NATIONAL GUARD BUREAU
UNITED STATES PROPERTY AND FISCAL OFFICE FOR NJ
3601 TECHNOLOGY DRIVE
JOINT BASE MCGUIRE-DIX-LAKEHURST, NEW JERSEY 08640-5606



USPFO-IR

16 March 2010

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Internal Review Division Policy Memorandum 2010, Audit Follow-up

1. PURPOSE: To provide policy and guidance, and responsibilities for audit follow-up.

2. BACKGROUND AND POLICIES:

a) The Government Accountability Office's (GAO) Government Auditing Standards (The Yellow Book) establishes follow-up as an element of the reporting standard for performance audits. Follow-up of findings in reports is also a requirement per AR 36-2. Army Regulation 11-7 (Internal Review Program) requires internal review organizations to conduct follow up reviews on all external and internal audit reports. Follow up reviews determine whether the recommendations specified and agreed to in the original audit reports have been effectively implemented and have, in fact, eliminated or reduced to insignificance the condition(s) originally reported.

b) Army Regulation 36-2 (Audit Reports and Follow up) specifies auditor and management responsibilities for establishing follow up systems to control, monitor, and report on corrective actions pertaining to audit recommendations. National Guard Regulation (NGR) 130-6 makes those responsibilities applicable to the Air National Guard.

c) Army Regulation 11-2 (Management Control) and AFI 65-201 (Management Control) prescribe policy, standards, responsibilities, and accountability for establishing and maintaining effective internal management controls. They also require management to adhere to the Federal Managers' Financial Integrity Act of 1982, PL 97-225, and the five General Accounting Office Standards prescribed by the Comptroller General of the United States. GAO Standards require prompt and responsive action on all findings and recommendations made by auditors.

3. RESPONSIBILITIES:

a) While regulation and NGB Policies vary on dates to initiate a follow-up, we established our policy to be within 120 days of the date management reports recommendations as being implemented.

b) Managers are responsible for resolving and implementing report recommendations promptly and effectively. Internal Review Auditors are responsible for following up on audit recommendations to ensure their implementation by management, realization of their intended results, and the adequacy of internal controls to prevent recurring deficiencies.

c) Managers will ensure they formulate replies to both internal and external audit reports within time frames established by the audit activity, i.e. **(15 working days)**. These replies will include “**Target Dates**” for implementing action(s) on each recommendation.

d) Management must keep IR adequately apprised of progress made toward completing corrective actions taken or planned and meeting established milestones. When target dates for completing corrective actions cannot be met, the audited activity officials are responsible for formally submitting the revised target dates, along with clear and complete justification, to IR for review.

e) The Internal Review office will identify recommendations requiring follow-up, monitor and verify their status, and perform formal or informal follow-up reviews. Internal Review will submit a follow-up/corrective action status report through the USPFO to the TAG and other senior leaders at least semi-annually. The report will show status of corrective actions and recommendations, both open and closed.

f) When follow-up review results show that corrective actions were inadequate or not accomplished, auditors will prepare a letter to the activities senior chain of command. The letter will require the activity manager to take immediate corrective action, establish milestone dates, and report to Internal Review every 30 days until all actions are accomplished. A second follow-up review will be performed once the activity has certified that all corrective actions have been completed.

4. FOLLOW-UPS TYPES: There are two types of Audit Follow-up, formal and administrative:

a) **Formal Follow-up:** This must be performed by a qualified auditor, and generally has two objectives or three if monetary benefits are involved.

1. Determine if Management had implemented the agreed to recommendations.
2. Determine effectiveness of corrective actions (Internal Controls), test effectiveness of controls-involves limited testing.
3. Determine if monetary benefits were derived.

b) **Administrative Follow-up:** This does not involve testing of the controls and may only involve phone calls to management to inquire about the status. It would require that management provides our office sufficient documentary evidence that those corrective actions have taken place. If the recommendations were not implemented, we would follow para. 3(f) above. Internal Review can use the results of administrative follow-up to close their recommendations.

c) The decision as to the type of follow-up performed will be up to the professional judgment of the Chief of Internal Review and the criticality of the findings for the USPFO and the TAG.

5. POC: The POC for this policy is Chief, Internal Review, Ms. Denise McCleary, DSN 944-0213 or 609-562-0213.

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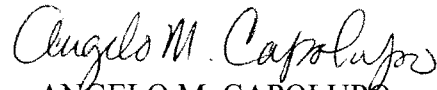
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